



# **The Commonwealth of Massachusetts**

## **DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

### WESTERN MASSACHUSETTS ELECTRIC COMPANY

D.T.E. 04-106

### FIRST SET OF INFORMATION REQUESTS OF THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO WESTERN MASSACHUSETTS ELECTRIC COMPANY

---

Pursuant to 220 C.M.R. § 1.06(6)(c), the Department of Telecommunications and Energy ("Department") submits to Western Massachusetts Electric Company ("WMECo" or "Company") the following Information Requests:

#### INSTRUCTIONS

The following instructions apply to this set of Information Requests and all subsequent Information Requests issued by the Department to the Company in this proceeding.

1. Each request should be answered in writing on a separate, three-hole punch page with a recitation of the request, a reference to the request number, the docket number of the case and the name of the person responsible for the answer.
2. Do not wait for all answers to be completed before supplying answers. Provide the answers as they are completed.
3. These requests shall be deemed continuing so as to require further supplemental responses if the Company or its witness receives or generates additional information within the scope of these requests between the time of the original response and the close of the record in this proceeding.
4. The term "provide complete and detailed documentation" means:

Provide all data, assumptions and calculations relied upon. Provide the source of and basis for all data and assumptions employed. Include all studies, reports and planning documents from which data, estimates or assumptions were drawn and support for how the data or assumptions were used in developing the projections or estimates. Provide and explain all supporting work-papers.

5. The term “document” is used in its broadest sense and includes, without limitation, writings, drawings, graphs, charts, photographs, phono-records, microfilm, microfiche, computer printouts, correspondence, handwritten notes, records or reports, bills, checks, articles from journals or other sources and other data compilations from which information can be obtained and all copies of such documents that bear notations or other markings that differentiate such copies from the original.
6. If any one of these requests is ambiguous, notify the Hearing Officer so that the request may be clarified prior to the preparation of a written response.
7. Please file one copy of the responses with Mary L. Cottrell, Secretary of the Department and with all parties; also submit two (2) copies of the responses to John J. Geary, Hearing Officer; one (1) copy of the responses to Sean Hanley, Assistant Director, Rates and Revenue Requirements Division; one (1) copy of the responses to Paul E. Osborne, Assistant Director, Rates and Revenue Requirements Division; one (1) copy of the responses to Jeff Hall, Analyst, Rates and Revenue Requirements Division; one (1) copy of the responses to Joseph Passaggio, Rates and Revenue Requirements Division; one (1) copy of the responses to Xuan Yu, Analyst, Rates and Revenue Requirements Division; one (1) copy of the responses to Meera Bhalotra, Analyst, Rates and Revenue Requirements Division; and one (1) copy of the responses to Claude Francisco, Analyst, Rates and Revenue Requirements Division.  
  
For Bulk Responses, one (1) copy should be submitted directly to John Geary, and one (1) copy should be submitted directly to Paul Osborne.
8. All non-proprietary responses should be submitted by e-mail to [dte.efiling@state.ma.us](mailto:dte.efiling@state.ma.us) and to the e-mail address of any party required to be served.
9. Responses are due by the close of business (5:00 p.m.) Wednesday, December 8, 2004.

#### INFORMATION REQUESTS

- DTE 1-1 Refer to Exh. C, Att. 1, Sch. C-3.1. Please explain the change in pension expense from the test year to the pro forma levels reported for the years 2004 and 2005. Provide all workpapers, calculations, assumptions, etc. used to derive the test year and pro forma pension expense levels.
- DTE 1-2 Refer to Exh. C, Att. 1, Sch. C-3.1. Please explain the approximately 15 percent annual increase in healthcare expense from the test year through 2005. As part of this response, explain whether the Company is deriving the

pro forma expense level for the year 2005 by extrapolating the approximately 15 percent increase in healthcare expense between the test year and 2004.

- DTE 1-3 Refer to Exh. C, Att. 1, Sch. C-3.2, line 27, and Sch. C3.3, line 32. Please confirm whether the Company intended that the titles for these lines refer to 2004 or whether they refer to 2005.
- DTE 1-4 Refer to Exh. C, Att. 1, Sch. C-3.3, line 20. Please confirm whether the \$163,000 reported here is intended to be the same test year expense as the \$164,000 reported on Sch. C-3.1, line 21.
- DTE 1-5 Refer to Exh. C, Att. 1, Sch. C-3.3, lines 24 and 32. Please provide all supporting workpapers, calculations, assumptions, etc. used to derive both the 1.60 percent Average O&M escalation factor for 2004 and the 2.20 percent Average O&M escalation factor for 2005.
- DTE 1-6 Refer to Exh. C, Att. 1, Sch. C-3.4, line 19. Please explain how the Company derived the annual depreciation accrual rate of 2.48 percent.
- DTE 1-7 Refer to Exh. C, Att. 1, Sch. A-1.0, line 26. Please explain how the Company derived the income deficiency of \$10,290,000.
- DTE 1-8 Refer to Exh. C, Att. 1, Sch. B-2.0, line 32. Please provide all workpapers, calculations, assumptions, etc. used to derive the 8.05 day cash working capital factor.
- DTE 1-9 Refer to Exh. C, Att. 2, Sch. 3. Please provide all workpapers, calculations, assumptions, used to derive the test year amortization expense of negative \$102,000.
- DTE 1-10 Refer to Exh. C, Att. 2, Sch. 9. Please provide all workpapers, calculations, assumptions, etc. used to derive the test year billed sales, unbilled revenue, and other revenues. As part of this response, please identify the items in the unbilled revenue and other revenues and whether the Company's pro forma revenues includes any adjustments for the following items:
1. Customer charge adjustments;
  2. Billing day adjustments;
  3. Weather stabilization adjustments; and
  4. Non-firm revenue adjustments.

- DTE 1-11 Refer to Exh. C., Att. 2, Schs. 1, 2. Please provide the test year and proposed expense level incorporated in this schedule for the following expenses, along with supporting workpapers, calculations, assumptions, etc.
1. Gain on Sale of Utility Property
  2. Leases
  3. Rate Case Expense
  4. Bad Debt Expense
- DTE 1-12 Please provide an electronic version of Exh. C, Atts. 1 and 2.
- DTE 1-13 Refer to Exh. C, Att. 1, Sch. C-3.1. Please provide the amount currently included in rates to recover pension and post-retirement benefits other than pension ("PBOP") expenses.
- DTE 1-14 Refer to Exh. C, Att. 1, Sch. B-2.0. Please explain why the adjustments appearing on lines 23 through 25 are included in the working capital allowance calculation.
- DTE 1-15 Refer to Exh. C, Att. 1, Schs. B-2.0 and C-1.0. Please reconcile the \$27,762,000 current income tax amount used in the working capital calculation with the income tax amounts shown on line 26 through 28 of Sch. C-1.0, totaling \$17,087,000.
- DTE 1-16 Refer to Exh. C, Att. 1, Sch. C-3.2. Please provide the average payroll escalation factor for the years 2000 through 2003.
- DTE 1-17 Refer to Exh. C, Att. 1, Sch. B-1.0. Does the pro forma reserve for depreciation balance include the \$520,000 pro forma depreciation adjustment calculated on Sch. C-3-4? If not, please explain why this adjustment is not included.
- DTE 1-18 Refer to Exh. C, Att. 2, Sch. 8, income taxes. Was interest expense of \$7,861,000 deducted in calculating the Company's pro forma income taxes? If not, please recalculate income taxes including the deduction for interest expense.
- DTE 1-19 Refer to Exh. C, Att. 2, Sch. 8, income taxes. Please explain the proposed income tax adjustment of \$239,000.

- DTE 1-20 Refer to the Settlement Agreement at 5, Article VIII. Please explain the phrase, “The costs of such expansion in excess of the benefits” as it relates to the NUStart pilot program.
- DTE 1-21 Refer to the Settlement Agreement at 5, Article VIII. Please explain the phrase, “to a level proportionate with that currently in place for WMECo’s affiliate, The Connecticut Light & Power Company.” As part of this response, please provide the number of customers presently participating in The Connecticut Light and Power Company’s low-income assistance program.
- DTE 1-22 Refer to the Settlement Agreement at 5, Article VIII. Please provide an estimate of the total costs associated with the NUStart pilot program for which the Company will be seeking deferral and recovery. Provide all workpapers, calculations, assumptions, etc. used to derive this estimate.
- DTE 1-23 Refer to the Settlement Agreement at 5, Article VIII. Please explain the basis on which the carrying costs associated with the NUStart pilot program costs will be determined.
- DTE 1-24 Refer to the Settlement Agreement at 5, Article VIII. Please provide a cite to a Department Order and/or the Company’s restructuring plan indicating where the NUStart program was approved by the Department in the Western Massachusetts Electric Company, D.T.E. 97-120.
- DTE 1-25 Please provide a copy of the Company’s restructuring plan that was approved by the Department in D.T.E. 97-120.
- DTE 1-26 Please provide a schedule that summarizes for each year from 1998 through 2004, using projected data for 2004, WMECo’s unit transition charge, annual transition revenues, annual transition costs, and the corresponding annual under- or over-recovery. Provide supporting calculations, describe the Company’s method, and state any assumptions used.
- DTE 1-27 Refer to the Settlement Agreement, Article I.
- (a) provide with supporting schedules an estimate of the unit transition charge that would be sufficient to service WMECo’s outstanding rate reduction bonds; and

- (b) estimate the probability that such a unit transition charge would increase above 5 mills in 2005 and in 2006, explaining the basis for such estimate.

DTE 1-28 Refer to the Settlement Agreement , Att. 7 of Exh. A and Att. 5 of Exh. B. Please revise these exhibits using WMECo's default service rate for January 1, 2005 instead of the standard offer service rate of \$0.05607 per KWH.

DTE 1-29 Refer to Exh. C, Att. 2, Sch. 8. Please confirm whether the Company has correctly excluded interest expense of \$7,861,000 from the pre-tax return on rate base of \$43,630,000 in computing its taxable income. If necessary, provide a revised schedule incorporating the deduction of interest expense from pre-tax return on rate base to derive taxable income.